Consolidated Financial Statements
of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2015

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2015

Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards.

The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements involves the use of estimates based on management's judgment, particularly when current accounting period transactions cannot be finalized with certainty until future periods.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Transportation Financing Authority

Grant Main
Chief Executive Officer

Nancy Bain
Executive Financial Officer
and Corporate Secretary

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of BC Transportation Financing Authority, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority, which comprise the consolidated statement of financial position as at March 31, 2015, and the consolidated statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

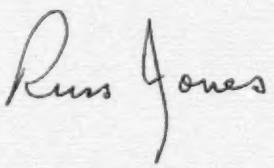
Note 2(g) describes the accounting policy for capital funding received from the federal and provincial governments and other outside agencies. The policy is to initially record the capital funding as deferred revenue (a liability) and then recognize revenue in the statement of operations on the same basis as the related assets are amortized.

In this respect the financial statements are not in accordance with Canadian public sector accounting standards which require transfers of a capital nature to be recorded as revenue, except when the transfer meets the definition of a liability for the recipient entity.

Had BC Transportation Financing Authority made an adjustment, when this was first brought to their attention, for those funds received that in my opinion do not meet the definition of a liability, at March 31, 2015, liabilities would have been less by $2,337 million, the accumulated operating surplus at the beginning of the year would have been greater by $2,441 million, and current year revenue would have been less by $104 million.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 2015, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Victoria, British Columbia
June 23, 2015

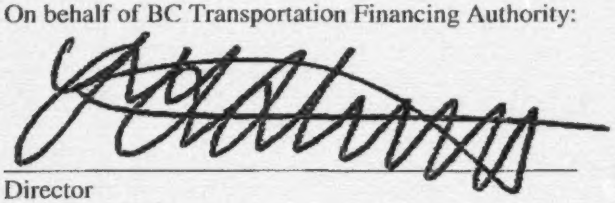
Russ Jones, CPA, FCA
Deputy Auditor General

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2015 ($ 000s)	2014 ($ 000s) Restated (Note 3)
Financial assets:			
Cash and cash equivalents	4	44,242	228,808
Due from government and government organizations	5	34,273	37,582
Accounts receivable		1	2,544
Investment in government business enterprise	6	134,488	135,299
Other financial assets	7	9,228	10,128
Derivative instruments	8	694,275	400,130
		916,507	814,491
Liabilities:			
Due to government and government organizations	9	155,511	240,253
Accounts payable and accrued liabilities	10	133,080	136,563
Debt	11	7,491,548	6,907,786
Public-private partnership obligations	12	1,130,010	1,040,962
Deferred capital contributions	13	2,651,828	2,615,031
Deferred revenue	14	396,460	307,301
		11,958,437	11,247,896
Net debt		(11,041,930)	(10,433,405)
Non-financial assets:			
Tangible capital assets	15	11,689,932	11,321,696
Other non-financial assets	16	24,257	30,647
		11,714,189	11,352,343
Accumulated surplus		672,259	918,938
Accumulated surplus is comprised of:			
Accumulated operating surplus		249,574	633,957
Accumulated remeasurement gains		422,685	284,981
		672,259	918,938
Contractual obligations	17		
Contingent liabilities	18		

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of BC Transportation Financing Authority:



Director

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Note	Budget (Note 24) ($ 000s)	2015 ($ 000s)	2014 ($ 000s) Restated (Note 3)
Revenue:				
Tax revenue:				
Motor fuel tax	19	415,000	408,695	417,659
Car rental tax	19	14,000	14,000	14,000
Total tax revenue		429,000	422,695	431,659
Amortization of deferred capital contributions	13	143,817	146,570	138,744
Operating revenue	20	64,017	32,112	63,600
Sinking fund gain and interest earnings	21	-	-	123,431
Other interest revenue		-	952	7,066
Earnings from government business enterprise	6	13,908	4,909	13,521
		650,742	607,238	778,021
Expenses:				
Operating expenses:				
Highway operations		516,135	533,687	467,189
Transit programs		129,367	81,399	87,444
Ferry operations		14,846	14,859	12,451
Other programs		49,655	24,895	45,996
Total operating expenses	22	710,003	654,840	613,080
Debt servicing costs	23	335,710	333,281	329,062
		1,045,713	988,121	942,142
Deficit from operations		(394,971)	(380,883)	(164,121)
Other:				
Properties from the Provincial Capital Commission			-	3,228
Payment to the Province from government business enterprise	6		(3,500)	(14,000)
			(3,500)	(10,772)
Annual deficit			(384,383)	(174,893)
Accumulated operating surplus at beginning of year			633,957	808,850
Accumulated operating surplus at end of year			249,574	633,957

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Change in Net Debt

For the year ended March 31	Budget (Note 24) ($ 000s)	2015 ($ 000s)	2014 ($ 000s) Restated (Note 3)
Operating deficit for the year	(394,971)	(380,883)	(164,121)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(1,044,430)	(821,886)	(1,017,437)
Amortization of tangible capital assets	439,570	445,779	415,246
Asset write-off, disposal and other adjustments	2,000	7,871	6,391
	(602,860)	(368,236)	(595,800)
Effect of change in investment in government business enterprise:			
Payment to the Province		(3,500)	(14,000)
Other comprehensive loss		(1,216)	(964)
		(4,716)	(14,964)
Effect of change in fair value adjustments and foreign currency translation:			
Equity investments		(63)	108
Foreign currency translation		(155,162)	(89,788)
Derivative instruments		294,145	(2,147)
		138,920	(91,827)
Effect of change in other non-financial assets		6,390	4,990
(Increase) in net debt		(608,525)	(861,722)
Net debt at beginning of year		(10,433,405)	(9,571,683)
Net debt at end of year		(11,041,930)	(10,433,405)

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Remeasurement Gains and Losses

For the year ended March 31	2015 ($ 000s)	2014 ($ 000s)
Accumulated remeasurement gains at beginning of year	284,981	377,772
Unrealized gains and losses:		
Unrealized (loss) gain on equity investments	(63)	108
Unrealized foreign exchange loss on debt	(155,162)	(84,741)
Unrealized net gain on periodic derivative instrument payments	346,319	25,323
	191,094	(59,310)
Realized gains and losses reclassified to the statement of operations:		
Realized foreign exchange (gain) on maturity of debt	-	(5,047)
Realized loss on maturity of derivative instruments	-	21,224
Realized net (gain) on periodic derivative instrument payments	(52,174)	(48,694)
	(52,174)	(32,517)
Unrealized comprehensive loss from government business enterprise	(1,216)	(964)
Accumulated remeasurement gains at end of year	422,685	284,981

The accompanying notes are an integral part of these consolidated financial statements.

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Cash Flows

For the year ended March 31	2015 ($ 000s)	2014 ($ 000s) Restated (Note 3)
Operating activities:		
Operating deficit	(380,883)	(164,121)
Items not involving cash:		
Amortization of tangible capital assets	445,779	415,246
Amortization of deferred capital contributions	(146,570)	(138,744)
Amortization of debt premium, discount and issue cost	1,221	1,119
Cost of properties sold (Other financial assets)	2,048	2,718
Earnings from government business enterprise	(4,909)	(13,521)
Change in operating working capital:		
Due from government and government organizations	3,309	25,830
Accounts receivable	2,543	(2,453)
Due to government and government organizations	(84,742)	7,905
Accounts payable and accrued liabilities	(3,483)	14,452
	(165,687)	148,431
Financing activities:		
Debt issued	427,379	-
Debt retired	-	(587,027)
Realized foreign exchange gain on maturity of debt	-	(5,047)
Realized loss on maturity of derivative instruments	-	21,224
Change in public-private partnership obligations	89,048	83,768
Net additions to deferred capital contributions	183,367	146,137
Assets from the Provincial Capital Commission	-	(6,801)
Change in deferred revenue	89,159	75,099
	788,953	(272,647)
Investing activities:		
Change in sinking fund balance	-	1,335,800
Payment from government business enterprise	1,004	492
	1,004	1,336,292
Capital activities:		
Addition to tangible capital assets	(821,886)	(1,017,437)
Tangible capital asset written off or disposed	6,587	454
Costs of tangible capital asset sold	73	2,747
Change in other non-financial assets	6,390	4,990
	(808,836)	(1,009,246)
(Decrease) Increase in cash and cash equivalents	(184,566)	202,830
Cash and cash equivalents at beginning of year	228,808	25,978
Cash and cash equivalents at end of year	44,242	228,808

Supplemental disclosure of cash flow information:	($ 000s)	($ 000s)
Interest paid	330,568	320,401

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (the "Province"), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by a Board who may exercise the rights, powers and advantages conferred under the *Act*. However, the Board is constrained in the use and disposal of transportation infrastructure assets.

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives.

BCTFA is exempt from income taxes under the *Income Tax Act*.

2. Significant accounting policies:

a) Basis of accounting:

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting (PSA) standards.

b) Basis of consolidation:

British Columbia Railway Company (BCRC), a wholly-owned subsidiary of BCTFA and a government business enterprise, is consolidated using the modified equity basis of consolidation. Under the modified equity method, net operating income, other comprehensive income and changes in equity of government business enterprises are consolidated. Inter-entity transactions are not eliminated. No adjustment is made for accounting policies of BCRC that are different from BCTFA. Payments to BCTFA and the Province are deducted from the investment in BCRC.

c) Financial instruments:

Financial instruments include primary instruments such as receivables, payables and loans and derivative instruments such as interest rate swaps and currency swaps. These instruments create rights and obligations for an entity to receive or deliver economic benefits. Public sector accounting standards require that these instruments to be assigned to one of the two measurement categories below:

i) fair value; or
ii) cost or amortized cost.

BCTFA measures its equity investments and derivative instruments at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system describes the basis of inputs used to measure financial instruments in the fair value category:

i) Level 1 - Quoted price in active market for identical assets or liabilities.
ii) Level 2 - Internal models developed from observable market data for similar assets or liabilities.
ii) Level 3 - Internal models developed without observable market data.

2. Significant accounting policies (continued):

c) Financial instruments (continued):

Equity investments:

BCTFA initially recognizes its equity investments at exchange price plus all related transaction costs. These investments are subsequently remeasured at fair value at fiscal year-end using the last bid price in an active exchange (Level 1). Changes in the fair value of the investments are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the investments are sold.

Derivative instruments:

BCTFA uses derivative contracts to manage its currency and interest rate exposure. The derivative contract at inception has no value. At each fiscal year-end, these contracts are remeasured at fair values provided by Provincial Treasury, which uses Level 2 methodology to derive the fair values. Changes in the fair value of these contracts are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the contract expires or is extinguished.

Other financial assets and financial liabilities:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash within a day's notice and are subject to insignificant risk of change in market value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

Cash and cash equivalents are measured at cost plus accrued interest which approximates fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. Interest attributable to financial instruments of this type are reported in the statement of operations.

d) Properties held for sale:

Surplus properties that are not anticipated to be used for future highway purposes are available for sale. These properties are classified as other financial assets when all of the following criteria are met:

i) prior to the date of the financial statements, management, with appropriate authority, commits the entity to selling the asset;
ii) the asset is in a condition to be sold;
iii) the asset is publicly seen to be for sale;
iv) there is an active market for the asset;
v) there is a plan in place for selling the asset; and
vi) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

e) Bond premiums, discounts and issue costs:

Bond premiums, discounts and issue costs are deferred and amortized using the effective interest rate method over the term of the related debt.

2. Significant accounting policies (continued):

f) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate these assets. The cost of these assets include the costs incurred by the private sector partners, as well as costs incurred by the BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model supporting the concession agreement. These costs are capitalized as tangible capital assets as construction progresses and an equal obligation is recorded as a liability. These assets will be amortized over their estimated useful lives consistent with the tangible capital assets in note 2(i) and the corresponding obligations will be paid down over the term of the agreements using the effective interest rate method.

g) Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary contributions to depreciable tangible capital assets and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized. Funds received for acquisition of land are recognized as revenue in the period when authorized and all eligibility criteria are met.

h) Deferred revenue:

Deferred lease and licence revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement on a straight line basis. Other deferred operating revenue is recognized as revenue when services are rendered.

i) Tangible capital assets:

BCTFA expenses all pre-project planning costs. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use. The costs of a project in progress are written off in the year it is determined no asset will result.

Completed infrastructure is recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction, development, improvement or betterment of the assets. Capitalization of financing charges ceases when substantial completion of a project is attained.

The costs of a completed infrastructure, less the residual value and related land acquisition cost, are amortized on a straight-line basis over its estimated useful life as follows:

Tangible capital asset	Estimated useful life
Land	Indefinite
Vessels	25 years
Ferry terminals and facilities	5 - 40 years
Highway infrastructure	5 - 40 years
Transit infrastructure	15 - 40 years
Building and improvements	15 - 90 years

2. Significant accounting policies (continued):

i) Tangible capital assets (continued):

The cost of completed infrastructure is written down when conditions indicate that it no longer contributes to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the asset are less than their net book value. The net write-downs are accounted for as expenses in the statement of operations.

Tangible capital assets and properties transferred from government or government organizations are recorded at their net book values with corresponding entries to deferred capital contributions and contributed surplus respectively.

j) Revenue recognition:

All revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

See note 2(g) for recognition of deferred capital contributions and note 2(h) for recognition of other deferred revenue.

k) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipients.

l) Foreign currency translation:

Revenue and expenditure transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Any foreign currency adjustments resulting from the translation are recorded in the statement of operations at the time of occurrence.

Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Any resulting currency fluctuations are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the related assets or liabilities expire or are extinguished.

m) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water and sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.

2. Significant accounting policies (continued):

m) Liability for contaminated sites (continued):

The nature of BCTFA's activities sometime leads to the ownership of certain contaminated sites. BCTFA estimates and recognizes a liability for these contaminated sites when all of the following criteria are met:

i) an environmental standard exist;
ii) contamination exceeds the environmental standard;
iii) BCTFA is directly responsible or accepts responsibility;
iv) it is expected that future economic benefits will be given up; and
v) a reasonable estimate of the amount can be made.

The estimated liability includes all costs directly attributable to remediation activities including post-remediation operations, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site. The basis of the estimate for each contaminated site comes from the estimates of an external consultant or from the Ministry of Transportation and Infrastructure experience at other similar sites.

n) Measurement uncertainty:

The presentation of the consolidated financial statements in conformity with PSA standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, asset impairment, remediation costs for contaminated sites, and provisions for certain other liabilities.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

3. Change in accounting policy:

On April 1, 2014, BCTFA adopted PS3260 - Liabilities for Contaminated Sites and applied the standard retroactively with restatement in prior periods.

	2014		
Consolidated Statement of Financial Position	As previously reported ($000s)	Adjustment ($000s)	Restated ($ 000s)
Accounts payable and accrued liabilities	94,857	41,706	136,563
Net debt	(10,391,699)	(41,706)	(10,433,405)
Accumulated operating surplus	675,663	(41,706)	633,957

3. Change in accounting policy (continued):

	2014		
Consolidated Statement of Operations	As previously reported ($000s)	Adjustment ($000s)	Restated ($ 000s)
Expenses: Other Programs	19,339	26,657	45,996
Total operating expenses	586,423	26,657	613,080
Deficit from operations	(137,464)	(26,657)	(164,121)
Annual deficit	(148,236)	(26,657)	(174,893)
Accumulated operating surplus at beginning of year	823,899	(15,049)	808,850
Accumulated operating surplus at end of year	675,663	(41,706)	633,957

	2014		
Consolidated Statement of Change in Net Debt	As previously reported ($000s)	Adjustment ($000s)	Restated ($ 000s)
Operating deficit for the year	(137,464)	(26,657)	(164,121)
Net debt at beginning of year	(9,556,634)	(15,049)	(9,571,683)
Net debt at end of year	(10,391,699)	(41,706)	(10,433,405)

	2014		
Consolidated Statement of Cash Flows	As previously reported ($000s)	Adjustment ($000s)	Restated ($ 000s)
Operating deficit	(137,464)	(26,657)	(164,121)
Change in operating working capital:			
Accounts payable and accrued liabilities	(12,205)	26,657	14,452

4. Cash and cash equivalent:

	2015 ($ 000s)	2014 ($ 000s)
Cash	16,749	202,515
Cash equivalents	27,493	26,293
	44,242	228,808

4. Cash and cash equivalent (continued):

Included in cash and cash equivalents are:

- $4.5 million (2014 - $4.4 million) funding received from road users for the Sierra Yoyo Desan Road Transition Agreement between BCTFA and the Ministry of Natural Gas Development. These funds can only be used for the improvement or maintenance of the Sierra Yoyo Desan Road.
- $2.9 million (2014 - $4.0 million) advance payment from the federal government for contributions to various projects.

Cash equivalents are investments in money market instruments which are redeemable within a day's notice.

5. Due from government and government organizations:

	2015 ($ 000s)	2014 ($ 000s)
Province of British Columbia	34,100	37,520
Transportation Investment Corporation	173	62
	34,273	37,582

Due from the provincial government includes fuel tax revenue owing to BCTFA.

6. Investment in government business enterprise:

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in BCRC becoming a wholly-owned subsidiary of BCTFA. BCRC continues to operate as a separate self-supported Crown corporation and retains its legal and legislative authorities and agreements.

	2015 ($ 000s)	2014 ($ 000s)
Investment in BCRC at beginning of year	135,299	137,234
Earnings for the year	4,909	13,521
Comprehensive loss	(1,216)	(964)
Payment to the Province	(3,500)	(14,000)
Payment to BCTFA	(1,004)	(492)
	(811)	(1,935)
Investment in BCRC at end of year	134,488	135,299

6. Investment in government business enterprise (continued):

BCRC's consolidated financial statements have been prepared by its management in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Consolidated Statement of Financial Position As at March 31	2015 ($ 000s)	2014 ($ 000s)
Financial assets	245,105	242,472
Liabilities	(257,753)	(220,796)
Net (debt) assets	(12,648)	21,676
Non financial assets	147,136	113,623
Accumulated surplus	134,488	135,299

Consolidated Statement of Comprehensive Income For the year ended March 31	2015 ($ 000s)	2014 ($ 000s)
Revenue	20,339	31,802
Expenses	15,430	18,281
Annual operating surplus	4,909	13,521
Other comprehensive loss	(1,216)	(964)
Total comprehensive income	3,693	12,557

7. Other financial assets:

	2015 ($ 000s)	2014 ($ 000s)
Equity investments	74	137
Properties held for sale	9,154	9,991
	9,228	10,128

Equity investments are investments in shares of Ballard Power Systems Inc. under the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement. As at March 31, 2015, BCTFA holds 28,250 shares (2014 - 28,250 shares) of Ballard Power Systems Inc.

Properties held for sale are surplus properties that are not anticipated to be used for future highway purposes and have met all criteria in note 2(d).

8. Derivative instruments:

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated with interest rate and foreign exchange fluctuations. To mitigate exposure to those risks, BCTFA entered into a number of interest rate and currency swap contracts. The contracts expire between fiscal 2015/16 and 2037/38 with a fair value of $425 million (2014 - $311 million) for interest rate swaps and $269 million ($89 million) for currency swaps as at March 31, 2015.

BCTFA did not enter into any new derivative contract in 2014/15 (2014 - $0) and no contract expired during the year (2014 - one interest rate swap and one currency swap contract expired).

9. Due to government and government organizations:

	2015 ($ 000s)	2014 ($ 000s)
Province of British Columbia	155,435	240,253
Rapid Transit Project 2000 Ltd.	76	-
	155,511	240,253

Due to the provincial government is mainly capital project payments and accrued liabilities.

10. Accounts payable and accrued liabilities:

	2015 ($ 000s)	2014 ($ 000s) Restated (Note 3)
Interest payable	71,703	70,211
Liabilities for contaminated sites	37,608	41,706
Other payables and accrued liabilities	23,744	24,556
GST remittance to the federal government	25	90
	133,080	136,563

11. Debt:

The Minister of Finance is the fiscal agent of BCTFA. All debt is acquired through the provincial government's fiscal agency loan program and is either held or guaranteed by the Province. Each year, BCTFA submits its borrowing plan to Treasury Board and may borrow the sums of money approved in the budget.

11. Debt (continued):

BCTFA acquired $427 million in new short-term and long-term debt during the year (2014 - $0 million).

	Year of maturity	Canadian currency debt ($ 000s)	(Canadian equivalent) Foreign currency debt [1] ($ 000s)	2015 Canadian total ($ 000s)	2014 Canadian total ($ 000s)
Short-term promissory notes.....	2015	-	-	-	-
	2016	224,810	-	224,810	-
long-term debt.....	2015	-	-	-	-
	2016	-	300,000	300,000	300,000
	2017	-	-	-	-
	2018	200,000	297,590	497,590	497,590
	2019	180,000	-	180,000	180,000
	2020	450,000	-	450,000	450,000
	2021 - 2025	1,367,639	348,500	1,716,139	1,716,139
	2026 - 2030	976,501	-	976,501	776,501
	2031 - 2035	678,000	-	678,000	678,000
	2036 - 2040	1,011,016	-	1,011,016	1,011,016
	2041 - 2045	1,104,000	-	1,104,000	1,104,000
	2046 - 2050	92,000	-	92,000	92,000
Total debt issued		6,283,966	946,090	7,230,056	6,805,246
Unrealized foreign exchange loss on debt				261,224	106,062
Unamortized debt premium, discount and issue cost				268	(3,522)
				7,491,548	6,907,786
The effective interest rates of the above debt as at March 31 range between:				0.71% - 7.97%	1.02% - 7.97%

[1] As at March 31, 2015, BCTFA has $952 million (2014 - $952 million) US dollar debt outstanding.

Anticipated principal repayments on debt for the next five fiscal years and thereafter are as follows:

Principal repayment in Canadian currency ($ 000s)	
2016	524,810
2017	-
2018	497,590
2019	180,000
2020	450,000
and thereafter	5,577,656

12. Public-private partnership obligations:

BCTFA has entered into four public-private partnership (P3) contracts to design, build, finance and operate (DBFO) certain highway infrastructure. In fiscal 2012/13, BCTFA also entered into a P3 contract to design, build and finance the construction of the Evergreen Line. Upon completion of the project, the Evergreen Line will be operated by the South Coast British Columbia Transportation Authority (TransLink) and the related P3 contract ends.

The information presented below shows the outstanding balance of the capital obligations under these contracts. Future payments for the operating and capital components of these contracts are disclosed under contractual obligations in note 17.

	Project status	Interest rate (%)	Contract type	Contract term (Years)	Capital obligations 2015 ($ 000s)	Capital obligations 2014 ($ 000s)
Evergreen Line Rapid Transit Project	Work-in-progress	4.42	DBF	3.5	240,502	127,332
South Fraser Perimeter Road	Completed	9.16	DBFO	20	184,482	186,770
Kicking Horse Park Bridge	Completed	7.40	DBFO	25	63,769	65,890
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25	474,550	491,039
William R. Bennett Bridge	Completed	7.88	DBFO	30	166,707	169,931
					1,130,010	1,040,962

Anticipated principal repayments on public-private partnership obligations for the next five fiscal years and thereafter are as follows:

	Principal repayment ($ 000s)
2016	29,854
2017	276,582
2018	40,200
2019	31,707
2020	26,931
and thereafter	724,736

13. Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary capital contributions from governments and partners and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized.

	April 1, 2014 balance ($ 000s)	Net additions / adjustments ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2015 balance ($ 000s)
Provincial government	1,235,808	-	(107,984)	1,127,824
Federal government	1,282,169	176,005	(34,947)	1,423,227
Municipal government	36,331	1,924	(1,244)	37,011
Other partners	60,723	5,438	(2,395)	63,766
	2,615,031	183,367	(146,570)	2,651,828

14. Deferred revenue:

	April 1, 2014 balance ($ 000s)	Net additions / adjustments ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2015 balance ($ 000s)
British Columbia Ferry Services Inc. terminal lease	60,191	-	(1,229)	58,962
Port Mann Highway 1 Bridge (PMH1) Project land licence	120,238	4,251	(2,095)	122,394
Evergreen Line Rapid Transit Project	126,165	88,523	-	214,688
Other deferred revenue	707	3	(294)	416
	307,301	92,777	(3,618)	396,460

British Columbia Ferry Services Inc. terminal lease:

The *Coastal Ferry Act* enacted on March 26, 2003, provided for the restructuring of the British Columbia Ferry Services Inc. (BC Ferries) - formerly named British Columbia Ferry Corporation. In April, 2003 the Province retained ownership of the ferry terminal lands by having BCTFA purchase them from BC Ferries at fair value and subsequently leased these assets back to BC Ferries for a term of 60 years. BC Ferries prepaid this lease obligation, and the revenue is being amortized on a straight line basis over 60 years.

14. Deferred revenue (continued):

Port Mann Highway 1 Bridge Project land licence:

BCTFA and the Transportation Investment Corporation (TI Corp) entered into a land licensing agreement on March 15, 2010 which provides TI Corp the right to use and occupy certain BCTFA's lands to fulfil TI Corp's obligations under the Port Mann Highway 1 Bridge Project (PMH1) Concession Agreement. The term of the agreement commenced on December 1, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA amortizes the prepaid land licensing fee on a straight line basis over approximately 77 years. In fiscal 2014/15, TI Corp prepaid $4.3 million (2014 - $3.5 million) of the land licensing fee and received no surplus land credit (2014 - $4.5 million) for the unused portion of land acquired earlier for the PMH1 project.

Evergreen Line Rapid Transit Project:

The Evergreen Line Rapid Transit Project (the "Line") is funded by the BCTFA, the Government of Canada, TransLink and other partners. The Line will link neighbourhoods in Burnaby, Port Moody and Coquitlam and will be fully integrated into the existing skytrain system. In 2012, BCTFA signed the funding and support agreement with TransLink of which TransLink and other partners will contribute a total of $421 million to the project. TransLink and other partners will make periodic contributions during the construction period and at substantial completion of the project, part of the Evergreen Line infrastructure will be transferred to TransLink. Contributions from TransLink and other partners will be recognized as revenue at the time of the transfer.

15. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding, improving or operating the infrastructure over their useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require the provincial government's approval.

At each fiscal year-end, BCTFA reclassifies land that meets the criteria for properties held for sale in note 2(d) to other financial assets.

15. Tangible capital assets (continued):

Cost	April 1, 2014 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Write-off / Disposal ($ 000s)	March 31, 2015 balance ($ 000s)
Highway infrastructure [1]	13,352,720	-	497,341	(64,684)	13,785,377
Transit infrastructure [2]	65,747	-	-	-	65,747
Ferry terminals and facilities	23,614	-	-	-	23,614
Vessels	32,686	-	29,694	-	62,380
Building and improvements	49,243	-	8,465	-	57,708
Land [3]	1,718,239	24,628	(1,211)	(73)	1,741,583
Capital projects in progress [4]	741,403	797,258	(535,500)	(6,431)	996,730
	15,983,652	821,886	(1,211)	(71,188)	16,733,139

Accumulated amortization	April 1, 2014 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Write-off / Disposal ($ 000s)	March 31, 2015 balance ($ 000s)
Highway infrastructure [1]	(4,635,945)	(439,698)	-	64,528	(5,011,115)
Transit infrastructure [2]	(1,891)	(1,918)	-	-	(3,809)
Ferry terminals and facilities	(3,959)	(983)	-	-	(4,942)
Vessels	(17,759)	(1,826)	-	-	(19,585)
Building and improvements	(2,402)	(1,354)	-	-	(3,756)
	(4,661,956)	(445,779)	-	64,528	(5,043,207)

Net book value	April 1, 2014 balance ($ 000s)	March 31, 2015 balance ($ 000s)
Highway infrastructure [1]	8,716,775	8,774,262
Transit infrastructure [2]	63,856	61,938
Ferry terminals and facilities	19,655	18,672
Vessels	14,927	42,795
Building and improvements	46,841	53,952
Land [3]	1,718,239	1,741,583
Capital projects in progress [4]	741,403	996,730
	11,321,696	11,689,932

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes bus exchanges and park & ride facilities.

[3] Land meets the criteria in note 2(d) is transferred to other financial assets - properties held for sale.

[4] Interest related to capital projects in progress is capitalized. In fiscal 2014/15, $10.6 million interest was capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

15. Tangible capital assets (continued):

Cost	April 1, 2013 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Write-off / Disposal ($ 000s)	March 31, 2014 balance ($ 000s)
Highway infrastructure [1]	11,818,651	-	1,534,329	(260)	13,352,720
Transit infrastructure [2]	61,193	-	4,554	-	65,747
Ferry terminals and facilities	22,076	-	1,538	-	23,614
Vessels	32,686	-	-	-	32,686
Building and improvements	-	-	49,243	-	49,243
Land [3]	1,689,363	38,734	(6,764)	(3,094)	1,718,239
Capital projects in progress [4]	1,343,233	978,703	(1,580,533)	-	741,403
	14,967,202	1,017,437	2,367	(3,354)	15,983,652

Accumulated amortization	April 1, 2013 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Write-off / Disposal ($ 000s)	March 31, 2014 balance ($ 000s)
Highway infrastructure [1]	(4,225,666)	(410,432)	-	153	(4,635,945)
Transit infrastructure [2]	(106)	(1,785)	-	-	(1,891)
Ferry terminals and facilities	(2,420)	(744)	(795)	-	(3,959)
Vessels	(16,342)	(1,417)	-	-	(17,759)
Building and improvements	-	(868)	(1,534)	-	(2,402)
	(4,244,534)	(415,246)	(2,329)	153	(4,661,956)

Net book value	April 1, 2013 balance ($ 000s)	March 31, 2014 balance ($ 000s)
Highway infrastructure [1]	7,592,985	8,716,775
Transit infrastructure [2]	61,087	63,856
Ferry terminals and facilities	19,656	19,655
Vessels	16,344	14,927
Building and improvements	-	46,841
Land [3]	1,689,363	1,718,239
Capital projects in progress [4]	1,343,233	741,403
	10,722,668	11,321,696

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes bus exchanges and park & ride facilities.

[3] Land meets the criteria in note 2(d) is transferred to other financial assets - properties held for sale.

[4] Interest related to capital projects in progress is capitalized. In fiscal 2013/14, $22.0 million interest was capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

16. Other non-financial assets:

Other non-financial assets are prepaid capital charges which will be reclassified as tangible capital asset in construction as the related capital projects progress.

17. Contractual obligations:

Information presented below under public-private partnerships (P3) are BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations include payments to operate certain transportation infrastructure in use and progress payments for capital projects in progress. Capital obligations resulting from the public-private partnership contracts are disclosed in note 12. Operating payments to P3 concessionaires are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements.

Under the terms of the Provincial Funding Agreement for the Canada Line Rapid Transit Project, BCTFA is committed to contribute capital and operating funding for the construction and operations of the Canada Line. The obligations presented below are BCTFA's commitments to Canada Line operating payments. These payments are also contingent on specific performance criteria being met.

($ millions)	Contract end date	2016	2017	2018	2019	2020	Future payments
Public-private partnership (P3) projects:							
Evergreen Line Rapid Transit Project							
P3 contract	2017	152.7	362.0	-	-	-	-
Direct procurement	2017	47.5	23.4	0.3	-	-	-
Sea-to-Sky Highway Corridor	2030	50.7	50.3	49.6	48.8	48.3	451.5
Kicking Horse Canyon Projects	2030	7.4	7.6	8.4	8.7	8.9	111.8
South Fraser Perimeter Road	2035	24.1	22.8	22.2	30.1	33.8	306.6
William R. Bennett Bridge	2035	17.1	16.9	16.7	16.5	16.3	199.8
Canada Line	2040	19.3	19.3	19.3	19.3	19.3	384.8
Other commitments		117.5	61.5	0.3	0.2	-	-
		436.3	563.8	116.8	123.6	126.6	1,454.5

18. Contingent liabilities:

The nature of BCTFA's activities is such that there may be expropriation, construction and other claims pending. BCTFA reviews all potential claims on an annual basis and accrues estimated settlement expenses, based on historical settlement amounts and the likelihood of the future events, in accordance with PSA standards.

As at March 31, 2015, BCTFA has unrecorded contingent liabilities of $120 million (2014 - $123 million) of which $104 million (2014 - $101 million) of those liabilities are related to expropriation claims.

19. Tax revenue:

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 43 of the *Provincial Sales Tax Act*, BCTFA receives a car rental tax of $1.50 per car rental day.

20. Operating revenue:

Operating revenue consists of the following:

	2015 ($ 000s)	2014 ($ 000s)
Grants from the Province	12,671	22,655
Grants from the Federal Government	114	243
Net revenue from property sales	10,554	32,909
Rental and leases	8,579	7,277
Miscellaneous revenue	194	516
	32,112	63,600

21. Sinking fund gain and interest earnings:

On April 2, 2013, BCTFA entered into an agreement with the Province, as represented by the Minister of Finance, to make the following sinking fund policy changes:

- No sinking funds are to be established on or after April 2, 2013 for repayment of existing loans or future loans.
- The terms and conditions of sinking funds established for repayment of existing loans are changed so that BCTFA is not required to make any further payments into those funds on or after April 2, 2013.
- Over such time period after April 2, 2013, the existing sinking funds are to be dissolved, their assets liquidated and the resulting proceeds from liquidation are to be returned to BCTFA.

On April 4, 2013, BCTFA liquidated all its sinking fund portfolios, recognizing a gain of $123 million in fiscal 2013/14. All proceeds from liquidation were used to retire debt and to finance capital expenditures. As at March 31, 2015, there was no balance left in the sinking fund accounts.

22. Operating expenses:

Operating expenses by group account classification:

	2015 ($ 000s)	2014 ($ 000s) Restated (Note 3)
Amortization expense	445,779	415,246
Grants	83,173	92,468
Operating costs	75,465	60,747
Other costs	37,761	38,045
Administration expense	6,075	6,120
Asset write-down and disposal	6,587	454
	654,840	613,080

23. Debt servicing costs:

	2015 ($ 000s)	2014 ($ 000s)
Interest on debt and public-private partnership obligations	394,788	382,451
Interest capitalized	(10,554)	(21,991)
	384,234	360,460
Amortization of debt premium, discount and issue cost	1,221	1,119
Realized foreign exchange gain on maturity of debt	-	(5,047)
Realized loss on maturity of derivative instruments	-	21,224
Realized net gain on periodic derivative instrument payments	(52,174)	(48,694)
	333,281	329,062

24. Budget:

The budget in these consolidated financial statements is based upon the operating and capital budget in the approved 2014/15 - 2016/17 Ministry of Transportation and Infrastructure service plan and the Province's 2014/15 - 2016/17 budget and fiscal plan.

25. Risk management:

a) Interest rate risk:

BCTFA is exposed to changes in interest rates on its debt. Based on the entity's debt policy, variable interest rate exposure for debt is limited to a maximum of 40%. To manage interest rate exposure and to maintain the target debt ratio, BCTFA may from time to time enter into interest rate swap contracts.

As at March 31, 2015, 32.2% (2014 - 29.8%) of BCTFA's debt is variable-rate. A 0.25% change in interest rates will have a financial impact of $4.9 million (2014 - $4.9 million), net of all interest rate swap contracts, to BCTFA's future operating result and cash flow.

BCTFA regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendations, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

b) Foreign exchange risk:

BCTFA's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency. BCTFA's risk management policy is to mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not in the best financial interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into currency swaps to offset the currency risk.

As at March 31, 2015, BCTFA has $952 million (2014 - $952 million) US dollar debt outstanding. The foreign exchange risk of these debt issues is fully offset by currency swaps.

25. Risk management (continued):

c) Credit risk:

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. The Province only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1. The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters are in accordance with government's policy guidelines, therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts business with the Province and other levels of government / government entities.

d) Liquidity risk:

Liquidity risk is the risk that BCTFA will encounter difficulty in meeting its financial obligations as they come due. BCTFA manages liquidity risk through effective financial and contract management.

Each year, BCTFA reviews its net cash requirement for operational activities and capital investments for the next three years and submits a long-term borrowing plan to Treasury Board for approval. As the fiscal agent of BCTFA, the Minister of Finance has provided BCTFA a pre-authorized short-term borrowing limit of which BCTFA can access short-term funds to meet liquidity needs within one day's notice.

26. Related party transactions:

BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. BCTFA and the Ministry of Transportation and Infrastructure (the "Ministry") signed a Memorandum of Understanding that the Ministry will undertake the delivery of all infrastructure projects on behalf of BCTFA. BCTFA will reimburse the Ministry for all costs incurred for delivery of the projects.

27. Subsequent event:

On May 14, 2015, Royal Assent was granted to Bill 2, *BC Transportation Financing Authority Transit Assets and Liabilities Act*. Upon commencement of the *Act* on May 21, 2015, the following assets and liabilities were transferred to BCTFA:

- All assets and liabilities of the Rapid Transit Project 2000 Ltd.
- All BC Transit's tangible capital assets under lease in the Greater Vancouver Regional District and the related deferred capital contributions.

As as March 31, 2015, the were approximately $1.47 billion of assets and $1.37 billion of liabilities to be transferred to the BCTFA.

28. Comparative change:

Certain prior year's figures have been restated to conform to current year's presentation.